

budget and this will frequently track projects that would otherwise started under construction this year. Where the inflationary trajectory goes down is hard to see. It will not be a year, however. Only by increasing available manpower and installing pre-fabricated construction components and systems can costs be held to a more digestible rate of annual increase.

Winning cooperation of local building trades unions in accomplishing these goals is a job that will take the industry more than a year to do. Contractor groups have another chance in labor contract negotiations come this spring. But if they don't make progress in breaking through the mill of low productivity that the unions' power thrusts on the industry, the outlook is for inflation to burn up annual increases in new construction output.

For construction men, the most significant element in the 1970 outlook is that the construction industry will get back a significant portion of the priorities it lost during the 1966-68 escalation of the Vietnam War. These lost priorities started to return during 1969's first half. But last fall, federal budgets forced them to scramble once again.

As the Vietnam War drains less of a nation's capital resources, federal priorities will swing back to construction of essential facilities for pollution control, water supply, transportation, housing, medical care and education.

That swing has a long way to go, however, before construction will have the same share of the nation's resources it did in the early 1960's. Just how far is illustrated by the fact that to date this fiscal year, the Commodity Credit Corporation (CCC) has disbursed more than twice as many federal dollars as the Treasury paid out in federal highway aid (which comes out of the Highway Trust Fund). If highway outlays have been purposely held back to fight inflation (trust payments are running 14% behind fiscal '69) why have CCC payments been upped to where they are running about triple the rate only two fiscal years back? The basic reason is that the farm lobby has won heavy federal support, in CCC price-support payments, to finance a huge wheat glut.

For the four years 1966-69, estimated expenditures for new construction put in place dropped below 10% of total U.S. output of goods and services (GNP). This year, construction put in

place will climb to nearly \$100 billion, putting it over 10% for the first time since 1965. For this year, the main well short of the 11.2% piece of the economic pie that construction could boast of in 1962.

Pollution control to soar. The most definite sign of the pendulum swinging back to construction is the heavy commitment to water pollution control that President Nixon announced early this month. Sewerage construction will be one of the fastest risers in the 1970 construction market, doing what it had been expected but failed to do in 1969. Much of its gain will start to show up about mid-year, Congress needing that much time to find the necessary funds (fiscal '71) to jack appropriations for water pollution control facilities to somewhere near the \$1 billion authorized for the current fiscal year.

A 27% jump in sewerage construction will set the pace for heavy construction's over-all gain of 9% forecast for 1970. That will match 1969's rate of increase for heavy construction.

Waterworks contracts will keep climbing, but other water use and control types of heavy construction will feel

the effects of cuts in Corps of Engineers and U.S. Bureau of Reclamation construction.

The ordered 75% slash in new federal construction starts that came out late last year pull federal heavy and building construction down this year. But its effects have been much exaggerated because new starts have become a small part of annual contracting schedules of Corps and BuRec offices. The lion's share of these schedules consists of contracts for additional phases of continuing projects that started one or more years ago.

Offsetting this weakness in federal water resource construction in the west (where it is concentrated) will be the California Department of Water Resources. This biggest of nonfederal water project contracting agency plans to lift its 1970 awards 25% in dollar volume.

Airports to spark transport. A 5% rise in transportation types of construction this year pales beside 1969's whopping 26% jump. The slowdown is charged to two factors. The fact that 1969 was a rebound year for highway and bridge awards (from the Septem-

Construction Outlook - Inflation

These key factors shape 1970's outlook

- Construction contracts will rise 7% in dollars, markedly slower growth than 1969's spurt of 11%.
- Contract awards for all construction other than homebuilding will set a new all-time high that will total more than \$53 billion.
- Spending for new construction put in place will climb about 8% to a record \$100 billion as measured by the Census Bureau's estimate.
- Heavy construction will set the pace for this year's rise in awards. The sparkplugs for another annual rise of 9% in this major part of the construction market will be water pollution control and airport terminals, both to climb by more than 20% over their 1969 record volumes.
- Multi-unit residential building contracts will increase more than homebuilding and faster than heavy construction.
- Homebuilding will increase slightly in dollar volume, but starts will hold about even for this turnaround year, which should see the annual rate of starts get back to 1.8 million units by December.
- Office building heads for another record in a try to catch up with demand.
- Electric utilities must push power plant starts to lift generating capacity closer to power demand projected a few years hence.
- Manufacturers will move cautiously in starting new plant construction.
- Construction costs will rise 7%, eating up the additional funds flowing to construction and preventing the industry from catching up with much deferred yet essential public works.
- More money will become available, mainly because the federal government and manufacturing industries will borrow less. Long-term money costs will drop slightly because demand will remain very high for state, municipal, residential and commercial building.
- Gross National Product will slow its growth again this year to only 6%, compared to 9% in 1968. Of the estimated \$987 billion, GNP in 1970 new construction is 10% of total output, up from 9% since 1965.